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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JULY 28, 2000

APPLICATION OF

RAPPAHANNOCK ELECTRIC COOPERATIVE

CASE NO. PUE000088

For Approval of an Electricity
Retail Access Pilot Program

FINAL ORDER

On February 8, 2000, Rappahannock Electric Cooperative ("Rappahannock" or "the Company") filed public and nonpublic versions of an application with the State Corporation Commission ("Commission"), requesting expedited consideration and approval of an electricity retail access program ("Pilot Program") pursuant to §§ 56-234 and -577 C of the Code of Virginia. Rappahannock filed various rate schedules, terms and conditions, tariff revisions, and supporting information with its application. As proposed, Rappahannock's Pilot Program was designed to offer up to 875 of its residential customers, 15-20 of its small commercial customers, and 1-10 of its industrial customers the opportunity to select an energy service provider other than the Cooperative. Rappahannock estimated that Pilot Program participants would represent approximately five megawatts of load.

Rappahannock proposed to implement its Pilot Program approximately 150 days after it received its final regulatory approvals. It represented that it would seek to implement its plan for the Pilot Program in coordination with the implementation of the Virginia Electric and Power Company¹ and American Electric Power-Virginia² Pilot Programs in order to take advantage of mutually beneficial public education and publicity opportunities.

The Cooperative, by counsel, also filed a Motion for Protective Order, alleging that certain information presented by witnesses James M. Drzemiecki and Jack D. Gaines discussed proprietary, commercially sensitive market projections that Rappahannock sought to protect from public disclosure. On February 25, 2000, the Commission entered a Protective Order, governing the terms under which confidential information, testimony, and discovery responses could be accessed.

On February 29, 2000, the Commission entered an Order that assigned a Hearing Examiner to the proceeding, scheduled a hearing for May 18, 2000, established a schedule for filing

¹ Commonwealth of Virginia, At the relation of the State Corporation Commission, Ex Parte: In the matter of considering an electricity retail access pilot program - Virginia Electric and Power Company, Case No. PUE980813.

² Commonwealth of Virginia, At the relation of the State Corporation Commission, Ex Parte: In the matter of considering an electricity retail access pilot program - American Electric Power - Virginia, Case No. PUE980814.

testimony, notices of protests, and other documents in this case, and required Rappahannock to publish the notice prescribed by the Order in newspapers of general circulation throughout its service territory.

Notices of Protest were filed by Bear Island Paper Company, L.P. ("Bear Island"), Virginia Electric and Power Company ("Virginia Power"), and Michel A. King. On March 31, 2000, the Division of Consumer Counsel, Office of the Attorney General ("Attorney General") advised the Commission and the parties of the Attorney General's intent to participate in this proceeding.

On April 20, 2000, Rappahannock, by counsel, filed a Motion for Partial Suspension of Procedural Schedule. In its Motion, the Cooperative requested that the scheduled May 18, 2000, hearing date be convened solely for the purpose of receiving public comments and that all other dates in the procedural schedule be suspended to provide the parties an opportunity to resolve certain issues relating to Rappahannock's Pilot Program. By Rulings dated April 20, 2000, and May 16, 2000, the Hearing Examiner granted Rappahannock's Motion and rescheduled the evidentiary portion of the hearing for June 21, 2000.

The May 18, 2000, Hearing was convened to receive the testimony of public witnesses. No public witnesses appeared at that hearing.

At the June 21, 2000, hearing, Rappahannock, the Commission Staff, the Attorney General, and Michel King (hereafter collectively referred to as the "Stipulating Participants") submitted a proposed Stipulation for consideration by the Hearing Examiner and Commission, which purported to resolve all of the issues in the case. By agreement of counsel, all prefiled direct testimony of the Cooperative and the Staff was admitted into the record without cross-examination. Virginia Power and Bear Island signed statements attached to the Stipulation, indicating that they had reviewed the Stipulation, did not object to it, and they too waived cross-examination of the witnesses prefiling testimony. However, Virginia Power and Bear Island reserved the same right to cross-examine in any further litigation in the docket on the same basis as the Stipulating Participants in the event the Commission and Hearing Examiner determined not to approve the Stipulation. No public witnesses appeared to testify at the June 21, 2000, hearing.

On July 6, 2000, Alexander F. Skirpan, Jr., the Hearing Examiner, issued his Report in the proceeding. In his Report, the Hearing Examiner summarized the procedural history of the case, the testimony of the witnesses, and the salient provisions of the Stipulation. The Hearing Examiner found that the Stipulation offered a reasonable and just resolution to all of the issues in the proceeding. He observed that the case

participants, believing the public to be best served by implementing a Pilot Program in a timely fashion, had chosen to build upon the Commission's recent decisions concerning Pilot Programs for Virginia Power³ and American Electric Power - Virginia,⁴ and the adoption of the Interim Rules Governing Electric and Natural Gas Retail Access Pilot Programs ("Interim Rules").⁵ He recommended that the Commission enter an order that adopted the findings of his Report, approved Rappahannock's Pilot Program as modified by the Stipulation offered at the June 21 hearing, and dismissed the case from the Commission's docket of active cases. The Hearing Examiner invited parties to the proceeding to file comments in response to the Report within seven (7) days of its entry.

On July 13, 2000, Michel A. King filed comments in support of the Hearing Examiner's Report.

³ Commonwealth of Virginia, At the relation of the State Corporation Commission, Ex Parte: In the matter of considering an electricity retail access pilot program - Virginia Electric and Power Company, Case No. PUE980813, Doc. Con. Ctr. No. 000440141 (April 28, 2000 Final Order) (hereafter "the Virginia Power pilot program").

⁴ Commonwealth of Virginia, At the relation of the State Corporation Commission, Ex Parte: In the matter of considering an electricity retail access pilot program - American Electric Power - Virginia, Case No. PUE980814, Doc. Con. Ctr. No. 000630193 (June 15, 2000 Final Order).

⁵ Commonwealth of Virginia, At the relation of the State Corporation Commission, Ex Parte: In the matter of establishing interim rules for retail access pilot programs, Case No. PUE980812, Doc. Con. Ctr. No. 000530236 (May 26, 2000, Final Order).

Rappahannock, by counsel, also filed comments in support of the Hearing Examiner's Report on July 13, 2000. In its comments, the Cooperative observed that one of the benefits of the Stipulation was that it allowed the Pilot Program to start many months sooner than if the case was fully litigated. The Cooperative noted that the Stipulating Participants agreed not to litigate questions regarding the specific methodology for determining projected market prices and regarding Old Dominion Electric Cooperative's Strategic Plan Initiative. The Cooperative indicated that it was authorized to state that the State Corporation Commission Staff and the Division of Consumer Counsel of the Office of the Attorney General supported the findings and recommendations made in the Hearing Examiner's Report. Rappahannock also represented that Mr. King supported the Report, and that the Cooperative was authorized to state that Virginia Power and Bear Island did not object to the Report and took no position on the issues discussed therein.

NOW UPON CONSIDERATION of the Cooperative's application, the record developed herein, the Hearing Examiner's Report, the comments filed in support of the same, and the applicable statutes, the Commission is of the opinion and finds that the findings and recommendations of the July 6 Hearing Examiner's Report should be adopted, and that Rappahannock's retail access Pilot Program, as modified by the terms of the Stipulation

submitted on June 21, 2000, should be implemented. The terms of the Stipulation executed by the Stipulating Participants are reasonable and are hereby incorporated herein by attachment of the Stipulation to this Order (Attachment 1).

In this regard, we find that the market prices for generation and the wires charges derived therefrom stipulated to in Appendix A of Attachment 1 are reasonable and are hereby accepted. In accepting these market prices, we make no determination as to the appropriate market price methodology to be employed in this Pilot Program. We emphasize that this Final Order addresses issues related to Rappahannock's Pilot Program only. The decisions made and reports required herein on various issues are designed to make the Pilot Program effective and to provide the Commission with the data necessary to learn about the competitive energy marketplace before the start of full scale retail choice. The parameters established herein will terminate at the end of the Pilot Program period, i.e., when pilot participants are permitted to choose their competitive suppliers on a non-pilot basis. The Commission, of course, reserves the right to re-examine those parameters and any other issues that arise to determine their applicability to the start of full customer choice.

Accordingly, IT IS ORDERED THAT:

(1) The findings and recommendations of the July 6, 2000, Hearing Examiner's Report are hereby adopted.

(2) Rappahannock's Pilot Program, as modified by the Stipulation and as revised to comply with the Interim Rules adopted in Case No. PUE980812, shall begin as soon as possible after September 1, 2000, but no event later than January 1, 2001, and shall end when the participants are permitted to choose their competitive suppliers on a non-pilot basis.

(3) Rappahannock shall file reports every six months for the duration of the Pilot Program containing the information noted in paragraph (4) of the Stipulation (Attachment 1 hereto). The Commission reserves the right to require the Cooperative to provide additional information if necessary to evaluate the Pilot Program.

(4) Rappahannock shall file its revisions to its Pilot Program in accordance with the Stipulation (Attachment 1 hereto) and the Interim Rules, within the timeframes identified in Attachment 1 and the Interim Rules but in no event later than December 1, 2000. Where necessary to comply with the Interim Rules, the Cooperative shall conform its Pilot Program to the standards and practices as recommended by the Virginia Electronic Data Transfer Working Group.

(5) This matter shall remain open for the receipt of reports by Rappahannock and to address other matters concerning the Pilot Program, as they may arise.